



# Malawi Savings Bank Ltd.

## Consolidated Financial Statements

### for the year ended 31st December 2010

In thousands of Malawi Kwacha

	GROUP		COMPANY	
	2010	2009	2010	2009
<b>Consolidated Statement of comprehensive income</b>				
<b>Revenue</b>				
Interest income	2,809,619	2,094,951	2,809,619	2,120,951
Interest expense	(1,202,997)	(962,304)	(1,219,511)	(968,581)
<b>Net interest income</b>	<b>1,606,622</b>	<b>1,132,647</b>	<b>1,590,108</b>	<b>1,152,370</b>
Non interest income	1,413,695	1,114,434	1,096,556	761,806
Other operating income/(expenses)	18,042	(5,867)	148,927	(14,956)
<b>Total net revenue</b>	<b>3,038,359</b>	<b>2,241,214</b>	<b>2,835,591</b>	<b>1,899,220</b>
<b>Expenditure</b>				
Staff costs	883,694	659,557	838,766	612,293
Depreciation and amortisation	166,680	107,013	159,878	104,347
Operating expenses	702,327	501,590	640,958	474,092
<b>Total expenditure</b>	<b>1,752,701</b>	<b>1,268,160</b>	<b>1,639,602</b>	<b>1,190,732</b>
Profits before impairment losses and revaluation gains	1,285,658	973,054	1,195,989	708,488
Revaluation gain/(loss) on property	20,576	(19,859)	20,576	(19,859)
Recoveries/(impairment losses) on loans and advances	21,236	(87,711)	21,236	(87,711)
<b>Profit before income tax expense</b>	<b>1,327,470</b>	<b>865,484</b>	<b>1,237,801</b>	<b>600,918</b>
Income tax expense	(454,321)	(276,011)	(367,798)	(191,636)
<b>Profit for the year</b>	<b>873,149</b>	<b>589,473</b>	<b>870,003</b>	<b>409,282</b>
<b>Other comprehensive income</b>				
Surplus on revaluation of properties	105,022	59,887	105,022	59,887
Income tax on revaluation surplus	(31,507)	(17,966)	(31,507)	(17,966)
<b>Total comprehensive income</b>	<b>946,664</b>	<b>631,394</b>	<b>943,518</b>	<b>451,203</b>
<b>Earnings per share</b>				
Basic and diluted earnings per share (MK)	<u>0.91</u>	<u>0.66</u>		
<b>Consolidated Statements of Financial position</b>				
<b>Assets</b>				
Cash and cash equivalents	1,293,799	642,670	1,123,458	544,080
Money Market investments	4,843,368	2,838,087	4,843,368	2,838,087
Loans and advances to customers	14,795,030	9,823,170	14,795,030	9,823,170
Other assets	2,191,449	1,132,091	2,178,544	1,103,030
Amounts due from subsidiary company	-	-	1,338	70,379
Investment in listed companies	94,595	97,323	94,595	97,323
Investment in subsidiary	-	-	10,000	10,000
Property, plant and equipment	1,845,097	1,375,806	1,774,522	1,337,706
Intangible assets	325,611	14,908	325,611	14,908
<b>Total assets</b>	<b>25,388,949</b>	<b>15,924,055</b>	<b>25,146,466</b>	<b>15,838,683</b>
<b>Liabilities</b>				
Deposits from customers	20,378,049	12,661,977	20,495,945	12,944,044
Deposits from banks	1,640,000	1,000,000	1,640,000	1,000,000
Other liabilities	402,120	329,269	380,891	300,289
Income tax payable and deferred tax liability	384,167	194,860	342,446	150,684
<b>Total liabilities</b>	<b>22,804,336</b>	<b>14,186,106</b>	<b>22,859,282</b>	<b>14,395,017</b>
<b>Shareholders' equity</b>				
Share capital	1,088,875	888,875	1,088,875	888,875
Share premium	129,346	129,346	129,346	129,346
Non distributable reserves	172,571	99,056	172,571	99,056
Retained earnings	1,193,821	620,672	896,392	326,389
<b>Total shareholder's equity</b>	<b>2,584,613</b>	<b>1,737,949</b>	<b>2,287,184</b>	<b>1,443,666</b>
<b>Total equity and liabilities</b>	<b>25,388,949</b>	<b>15,924,055</b>	<b>25,146,466</b>	<b>15,838,683</b>
<b>Consolidated Statements of changes in equity</b>				
<b>At the beginning of the year</b>	<b>1,737,949</b>	<b>1,106,555</b>	<b>1,443,666</b>	<b>992,463</b>
New shares issued	200,000	-	200,000	-
Dividend paid	(300,000)	-	(300,000)	-
<b>Other comprehensive income:</b>				
Surplus on revaluation of properties	105,022	59,887	105,022	59,887
Deferred tax on revaluation surplus	(31,507)	(17,966)	(31,507)	(17,966)
<b>Net other comprehensive income</b>	<b>73,515</b>	<b>41,921</b>	<b>73,515</b>	<b>41,921</b>
Profit for the year	873,149	589,473	870,003	409,282
<b>At the end of the year</b>	<b>2,584,613</b>	<b>1,737,949</b>	<b>2,287,184</b>	<b>1,443,666</b>
<b>Consolidated Statement of Cashflow</b>				
Cash generated from operating activities	1,864,891	703,500	1,664,885	347,324
Tax paid	(296,521)	(220,368)	(207,543)	(133,055)
Net cash generated from operating activities	1,568,370	483,132	1,457,342	214,269
Net cash used in investing activities	(817,241)	(539,847)	(777,964)	(306,256)
Cash flows from financing activities	(100,000)	-	(100,000)	-
<b>Movement in cash and cash equivalents</b>	<b>651,129</b>	<b>(56,715)</b>	<b>579,378</b>	<b>(91,987)</b>
At the beginning of the year	642,670	699,385	544,080	636,067
<b>At the end of the year</b>	<b>1,293,799</b>	<b>642,670</b>	<b>1,123,458</b>	<b>544,080</b>

#### Extracts from our Audited Group Financial Statements for the year ended 31st December 2010.

We are pleased to publish the group statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows of Malawi Savings Bank Limited and its subsidiary as at 31st December 2010 together with Independent Auditor's report.

#### Overall Performance

In the year 2010, the Bank has achieved a consolidated pre-tax profit of MK1.327 billion against MK865.5 million for the previous year (2009) representing a 53.3% increase. After tax profit of MK873.1 million has been achieved in 2010 compared to the previous year's profit of MK589.5 million, representing 48.1% increase.

Our asset base has increased by 59.7% from MK15.9 billion in December 2009 to MK25.4 billion in December 2010. Relatively, the deposit portfolio of the Bank increased by 60.6% from MK12.7 billion for the previous year to MK20.4 billion during the year under review. Effectively, this led to a corresponding increase in the lending book by 51% to MK14.8 billion from MK9.8 billion for the previous year. Emanating from the previous year's significant lending book position, plus this year's increase, the Bank generated an interest income of MK2.8 billion against MK2.1 billion in the previous year. This remarkable achievement was attained despite challenges facing the business such as stiff competition.

Overall, 2010 has been yet another exceptional year for the Bank. During the year under review the Bank carried out a number of projects aimed at enhancing the business. The notable ones are: the Bank seamlessly migrated to a new state-of-the-art banking system; moved out of Post Offices to new premises in Mangochi, Ntaja, Monkey Bay, Mtonthama and Mponela; opened new Agencies at Jenda, Bvumbwe and Kanengo; opened up Forex Bureau outlets in Mangochi, Chileka Airport, KIA, Lilongwe Old Town and Songwe Border and implemented on-site revenue collection for MRA and Immigration Department.

#### Outlook

We are optimistic that the Bank will do better in the ensuing year. The Bank will continue expanding its rural outreach in the country and improve ambience and visibility through its ongoing agency relocation and renovation programme. In addition, the Bank has put in place measures aimed at ensuring that all its outlets have adequate staff with requisite skills and competencies to manage operations efficiently and effectively. The Bank will also introduce new customer centric products and services such as internet and mobile banking which will be launched soon. Later in the year, the Bank will be implementing an Electronic Funds Transfer (EFT) switch that will drive channels such as ATMs and point-of sale devices in line with the changing demands of our customers.

#### Dividend

The Board approved an interim dividend of K100 million which was paid in December 2010. The Directors will be recommending the payment of final dividend of K50 million at the forth coming Annual General meeting. Total dividend for 2010 will be K150 million (2009: K200 million).

J.M. Mwanamvekha  
Chairman

S. Namalomba  
Director

#### Audit Opinion

We have audited the consolidated financial statements of Malawi Savings Bank Limited and its subsidiary for the year ended 31st December 2010 from which the accompanying summarised financial statements were derived in accordance with International Standards of Auditing. In our report dated 1st April 2011, we expressed an unqualified opinion on the consolidated financial statements from which the summarised consolidated financial statements were derived.

In our opinion, the summarised consolidated financial statements are consistent, in all material aspects, with the consolidated financial statements from which they were derived.

For a better understanding of the Bank's financial position and the results of its operations for the year and of the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which these summarised consolidated financial statements were derived and our full audit report thereon.



Certified Public Accountants and Business Advisors

Blantyre, Malawi  
1st April 2011

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